

WAYNE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2014

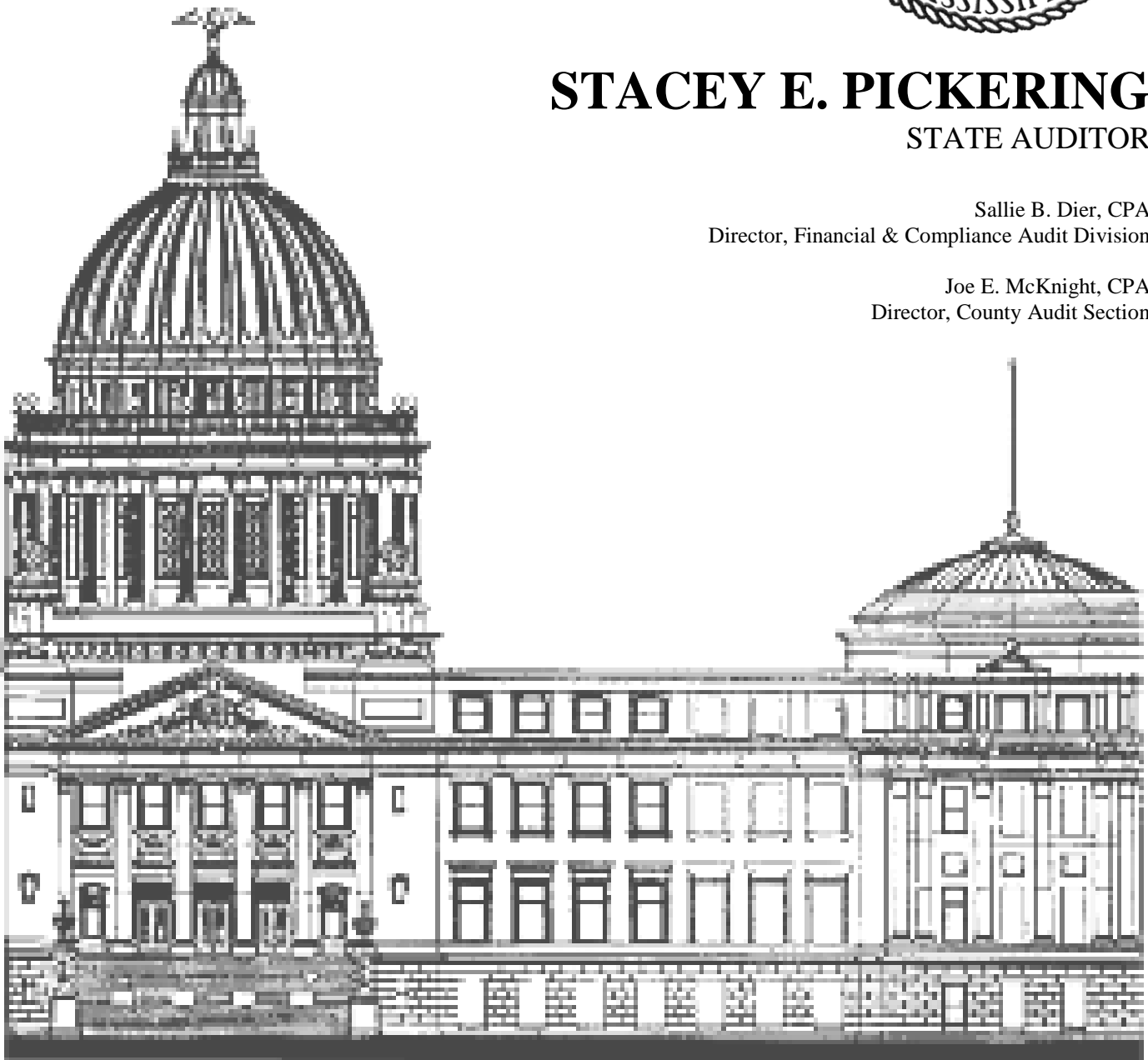


STACEY E. PICKERING

STATE AUDITOR

Sallie B. Dier, CPA
Director, Financial & Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

March 16, 2016

Members of the Board of Supervisors
Wayne County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2014 financial and compliance audit report for Wayne County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Wayne County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Wayne County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

WAYNE COUNTY

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WAYNE COUNTY

FINANCIAL SECTION

WAYNE COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Wayne County, Mississippi

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting, as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles applicable to the County's cash basis of accounting require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the cash basis assets, net position, receipts and disbursements of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the cash basis financial position of the aggregate discretely presented component units of Wayne County, Mississippi, as of September 30, 2014, or the changes in cash basis financial position thereof for the year then ended in accordance with accounting principles applicable to the County's cash basis of accounting.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County, Mississippi, as of September 30, 2014, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that Wayne County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and the Schedule of Operating Costs of Solid Waste are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Schedule of Operating Costs of Solid Waste are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Budgetary Comparison Schedule, Schedule of Interfund Loans, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2016, on our consideration of Wayne County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wayne County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 16, 2016

WAYNE COUNTY

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WAYNE COUNTY

FINANCIAL STATEMENTS

WAYNE COUNTY

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WAYNE COUNTY
Statement of Net Position - Cash Basis
September 30, 2014

Exhibit 1

	Primary Government
	Governmental
	Activities
ASSETS	
Cash	\$ 14,667,445
Total Assets	<u>14,667,445</u>
NET POSITION	
Restricted:	
Expendable:	
General government	100,677
Public safety	504,521
Public works	3,439,139
Culture and recreation	30,358
Economic development and assistance	4,533,055
Unrestricted	<u>6,059,695</u>
Total Net Position	<u>\$ 14,667,445</u>

The notes to the financial statements are an integral part of this statement.

WAYNE COUNTY
Statement of Activities - Cash Basis
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,149,049	622,385	19,654		(2,507,010)
Public safety	2,623,404	647,092	181,245	12,328	(1,782,739)
Public works	4,596,983	4,000	864,379	77,346	(3,651,258)
Health and welfare	332,797		59,194		(273,603)
Culture and recreation	84,836				(84,836)
Education	201,979		201,979		0
Conservation of natural resources	79,123				(79,123)
Economic development and assistance	1,128,131			152,028	(976,103)
Debt service:					
Principal	661,939				(661,939)
Interest	55,153				(55,153)
Bond issue costs	85,500				(85,500)
Total Governmental Activities	\$ 12,998,894	1,273,477	1,326,451	241,702	(10,157,264)
General receipts:					
Property taxes				\$	4,779,272
Road & bridge privilege taxes					268,075
Grants and contributions not restricted to specific programs					2,605,984
Unrestricted interest income					53,262
Miscellaneous					368,362
Proceeds from debt issuance					6,001,518
Sale of county property					427,501
Total General Receipts and Other Cash Sources					14,503,974
Changes in Net Position					4,346,710
Net Position - Beginning					10,320,735
Net Position - Ending				\$	14,667,445

The notes to the financial statements are an integral part of this statement.

WAYNE COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2014

Exhibit 3

	<u>Major Funds</u>			
	<u>General</u>	<u>Meadowland Park</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Construction</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash	\$ 6,059,695	4,503,829	4,103,921	14,667,445
Total Assets	<u>\$ 6,059,695</u>	<u>4,503,829</u>	<u>4,103,921</u>	<u>14,667,445</u>
FUND BALANCES				
Restricted for:				
General government	\$		100,677	100,677
Public safety			504,521	504,521
Public works			3,439,139	3,439,139
Culture and recreation			30,358	30,358
Economic development and assistance		4,503,829	29,226	4,533,055
Unassigned	6,059,695			6,059,695
Total Fund Balances	<u>\$ 6,059,695</u>	<u>4,503,829</u>	<u>4,103,921</u>	<u>14,667,445</u>

The notes to the financial statements are an integral part of this statement.

WAYNE COUNTY

Exhibit 4Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
Governmental Funds
For the Year Ended September 30, 2014

	Major Funds			
	General	Meadowland Park	Other	Total
	Fund	Construction	Governmental	Governmental
	Fund	Fund	Funds	Funds
RECEIPTS				
Property taxes	\$ 2,369,419		2,409,853	4,779,272
Road and bridge privilege taxes			268,075	268,075
Licenses, commissions and other receipts	239,293		39,887	279,180
Fines and forfeitures	409,157		742	409,899
Intergovernmental receipts	2,029,607		2,144,530	4,174,137
Charges for services	217,891		366,507	584,398
Interest income	29,390	14,097	9,775	53,262
Miscellaneous receipts	225,447		142,915	368,362
Total Receipts	5,520,204	14,097	5,382,284	10,916,585
DISBURSEMENTS				
General government	3,041,638		107,411	3,149,049
Public safety	1,797,441		825,963	2,623,404
Public works			4,596,983	4,596,983
Health and welfare	332,797			332,797
Culture and recreation	66,000		18,836	84,836
Education	201,979			201,979
Conservation of natural resources	79,123			79,123
Economic development and assistance	48,667	924,018	155,446	1,128,131
Debt service:				
Principal			661,939	661,939
Interest		750	54,403	55,153
Bond issue costs		85,500		85,500
Total Disbursements	5,567,645	1,010,268	6,420,981	12,998,894
Excess (Deficiency) of Receipts over Disbursements	(47,441)	(996,171)	(1,038,697)	(2,082,309)
OTHER CASH SOURCES (USES)				
Proceeds from long-term debt issuance		5,500,000	501,518	6,001,518
Sale of county property			427,501	427,501
Transfers in	58,018		333,732	391,750
Transfers out	(307,974)		(83,776)	(391,750)
Total Other Cash Sources and Uses	(249,956)	5,500,000	1,178,975	6,429,019
Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses	(297,397)	4,503,829	140,278	4,346,710
Cash Basis Fund Balances - Beginning	6,357,092	0	3,963,643	10,320,735
Cash Basis Fund Balances - Ending	\$ 6,059,695	4,503,829	4,103,921	14,667,445

The notes to the financial statements are an integral part of this statement.

WAYNE COUNTY
Statement of Fiduciary Assets and Liabilities - Cash Basis
September 30, 2014

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 218,668
Total Assets	\$ 218,668
LIABILITIES	
Amounts held in custody for others	\$ 218,668
Total Liabilities	\$ 218,668

The notes to the financial statements are an integral part of this statement.

WAYNE COUNTY

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WAYNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Wayne County, Mississippi (the County), is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Wayne County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in accordance with accounting principles applicable to the County's cash basis of accounting.

- Wayne County Economic Development District
- Wayne General Hospital

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position – Cash Basis and a Statement of Activities – Cash Basis, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental receipts and other nonexchange receipts.

The Statement of Net Position – Cash Basis presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the County's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

WAYNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Taxes and other receipts not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund equity, receipts and disbursements. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Meadowland Park Construction Fund - This fund is used to account for bond proceeds which are used for the improvements of the Meadowlands Industrial Park and the Wayne County Industrial Park.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

WAYNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

F. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in two components:

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of "restricted."

Net Position Flow Assumption:

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if disbursements paid for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

WAYNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Fund Balance Flow Assumption:

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

G. Property Tax Receipts.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All property taxes are recognized as receipts when collected.

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$14,886,113, and the bank balance was \$14,935,324. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(3) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2014:

Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 58,018
Other Governmental Funds	General Fund	307,974
Other Governmental Funds	Other Governmental Funds	25,758
Total		\$ 391,750

WAYNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

The principal purpose of interfund transfers was to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(5) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(6) Joint Ventures.

The County participates in the following joint ventures:

Wayne County is a participant with the City of Waynesboro in a joint venture authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Waynesboro-Wayne County Library System. The Library was created to provide free public library service to citizens of the respective county and city. The Library is governed by a ten-member board, one from each county and city district. The County and City are obligated by contract to levy not more than a four mill and three mill tax, respectively, as provided by Section 39-3-5(1) and 39-3-7(1), Miss. Code Ann. (1972), respectively, for the ongoing financial support of the Library. By contractual agreement, the County's contribution to the joint venture this year amounted to \$133,011. Complete financial statements for the Library can be obtained from the Waynesboro-Wayne County Library, Waynesboro, Mississippi.

Wayne County is a participant with Clarke County, Greene County, the City of Quitman, and the City of Waynesboro in a joint venture to operate the South Mississippi Narcotics Task Force organized under the Interlocal Cooperation Act of 1974, Section 17-13-1 through 17-13-11, Miss. Code Ann. (1972). The Task Force was created to provide a joint law enforcement effort between the participants. The Task Force is governed by a board, consisting of the sheriff/police chief from each participating entity. By contractual agreement, the County's contribution from the General Fund this year to the joint venture amounted to \$8,181. During the fiscal year 2014, Wayne County ceased its participation with the South Mississippi Narcotics Task Force. Complete financial statements for the Task Force can be obtained from the South Mississippi Narcotics Task Force, Waynesboro, Mississippi.

WAYNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Wayne County is a participant with the City of Waynesboro in a joint venture created under the provisions of Sections 33-15-17, 21-21-3, and 17-13-7, Miss. Code Ann. (1972), to operate the Emergency Management District of Wayne County. The District was formed by an Interlocal Agreement. The council that governs the District is composed of five members, two of which are appointed by Wayne County. Expenses are shared by the two participants. The County contributed \$218,798 during the fiscal year to this joint venture.

(7) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone, and Wayne. The Wayne County Board of Supervisors appoints one of the 27 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County contributed \$35,187 for support of the district in fiscal year 2014.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry, and Wayne. The Wayne County Board of Supervisors appoints one of the nine members of the board of commissioners. The County contributed \$47,500 for support of the entity in fiscal year 2014.

Jones County Junior College operates in district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith, and Wayne. The college is governed by a 20 member board of trustees. Each county appoints two of the college's trustees, except Jones County, which appoints six. The County contributed \$550,443 for maintenance and support of the college in fiscal year 2014.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone, and Wayne. The governing body is a 15 member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

Multi-County Community Service Agency is a human resources agency created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal laws. Its six members are as follows: Clarke, Jasper, Kemper, Lauderdale, Newton, and Wayne Counties. Each member appoints three of the 18 board members. The County provided no financial support to the agency in fiscal year 2014.

(8) Defined Benefit Pension Plan.

Plan Description. Wayne County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2014, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013 and 2012 were \$588,367, \$556,131 and \$481,748, respectively, equal to the required contributions for each year.

WAYNE COUNTY

SUPPLEMENTAL INFORMATION

WAYNE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Forest Service Schools and roads - grants to states (Direct)*	10.665	N/A	\$ 13,987
U.S. Department of Agriculture/ Passed-through the Mississippi State Treasurer's Office Schools and roads - grants to states*	10.665	N/A	402,383
U.S. Department of Agriculture/ Rural Business Cooperative Service Rural business enterprise grants (Direct)	10.769	N/A	152,028
Total U.S. Department of Agriculture			568,398
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 078 B(77)	27,440
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Hazard mitigation grant	97.039	N/A	6,849
Hazard mitigation grant	97.039	N/A	4,402
Subtotal			11,251
Emergency management performance grants	97.042	N/A	3,831
Emergency management performance grants	97.042	N/A	24,241
Subtotal			28,072
Total U.S. Department of Homeland Security			39,323
Total Expenditures of Federal Awards			\$ 635,161

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the cash basis of accounting.

* Denotes major federal award program

WAYNE COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2014

Operating Disbursements, Cash Basis:

Salaries	\$	403,332
Expendable Commodities:		
Gasoline and petroleum products		85,503
Repair parts		13,914
Hauling and landfill fees		102,298
Maintenance		14,237
Contractual services		7,656
Supplies		955
Uniforms		<u>280</u>
Solid Waste Operating Costs Disbursements	\$	<u>628,175</u>

WAYNE COUNTY

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WAYNE COUNTY

OTHER INFORMATION

WAYNE COUNTY

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WAYNE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 2,100,773	2,369,419	2,369,419	
Licenses, commissions and other receipts	203,000	239,293	239,293	
Fines and forfeitures	409,000	409,157	409,157	
Intergovernmental receipts	2,054,599	3,003,752	2,029,607	(974,145)
Charges for services	110,000	223,406	217,891	(5,515)
Interest income	75,000	29,390	29,390	
Miscellaneous receipts	269,182	283,074	225,447	(57,627)
Total Receipts	<u>5,221,554</u>	<u>6,557,491</u>	<u>5,520,204</u>	<u>(1,037,287)</u>
DISBURSEMENTS				
Current:				
General government	3,047,729	3,006,263	3,041,638	(35,375)
Public safety	2,020,218	2,978,689	1,797,441	1,181,248
Health and welfare	309,653	332,797	332,797	
Culture and recreation	10,000	66,000	66,000	
Education			201,979	(201,979)
Conservation of natural resources	79,338	79,123	79,123	
Economic development and assistance	55,187	48,667	48,667	
Total Disbursements	<u>5,522,125</u>	<u>6,511,539</u>	<u>5,567,645</u>	<u>943,894</u>
Excess of Receipts over (under) Disbursements	<u>(300,571)</u>	<u>45,952</u>	<u>(47,441)</u>	<u>(93,393)</u>
OTHER CASH SOURCES (USES)				
Transfers in			58,018	58,018
Transfers out		(46,348)	(307,974)	(261,626)
Total Other Cash Sources and Uses	<u>0</u>	<u>(46,348)</u>	<u>(249,956)</u>	<u>(203,608)</u>
Net Change in Fund Balance	(300,571)	(396)	(297,397)	(297,001)
Fund Balances - Beginning	<u>5,311,427</u>	<u>6,357,092</u>	<u>6,357,092</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 5,010,856</u>	<u>6,356,696</u>	<u>6,059,695</u>	<u>(297,001)</u>

The accompanying notes to the Other Information are an integral part of this schedule.

WAYNE COUNTY
Schedule of Interfund Loans
For the Year Ended September 30, 2014
UNAUDITED

The following is a summary of interfund balances at September 30, 2014:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Balance at Sept. 30, 2014</u>
Other Governmental Funds	General Fund	\$ <u>19,081</u>

The amount due to Other Governmental Funds from the General Fund represents E911 charges incorrectly receipted to the General Fund. Interfund balances are expected to be repaid within one year from the date of the financial statements.

WAYNE COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2014
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments*	Balance Sept. 30, 2014
Land	\$ 1,708,596	304,500			2,013,096
Construction in progress	339,104	593,772		(539,604)	393,272
Infrastructure	131,975,788	606,516		539,604	133,121,908
Buildings	9,379,925				9,379,925
Improvements other than buildings	554,391	540,090			1,094,481
Mobile equipment	6,818,899	85,896	432,052	914,331	7,387,074
Furniture and equipment	970,788	255,108	9,286		1,216,610
Leased property under capital leases	3,459,331	694,802	324,500	(914,331)	2,915,302
Total capital assets	\$ 155,206,822	3,080,684	765,838	0	157,521,668

*Adjustments are the reclassification of completed construction in progress to infrastructure and the reclassification of paid-off capital leases from leased property under capital leases to mobile equipment.

WAYNE COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2014
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2013	Issued	Principal Payments	Balance Sept. 30, 2014
Governmental Activities:							
A. General Obligation Bonds:							
General obligation industrial development bonds 2013	12/19/2013	12/2033	4.00-5.25%	\$ -	5,500,000		5,500,000
B. Capital Leases:							
E-911 communication equipment	6/29/2012	6/2019	2.02%	283,959		44,981	238,978
District 2 - 2010 Mack dump truck	10/25/2009	11/2013	3.39%	54,370		54,370	-
District 2 - John Deere 544K loader	9/25/2011	10/2014	2.89%	101,981		13,085	88,896
District 2 - 2013 Kubota M9540 tractor	4/25/2012	5/2016	2.16%	24,208		8,915	15,293
District 2 - Mack GU713 tandem dump truck	6/20/2012	7/2016	2.14%	38,545		38,545	-
District 2 - Caterpillar backhoe	11/1/2012	11/2017	1.75%	62,062		637	61,425
District 2 - 12H Caterpillar grader	1/4/2013	1/2016	2.45%	50,965		21,486	29,479
District 2 - 2014 Mack dump truck	12/9/2013	1/2018	2.29%	-	100,000	7,244	92,756
District 2 - 2014 Mack dump truck	12/9/2013	1/2018	2.29%	-	102,000	7,606	94,394
District 3 - 420E Caterpillar backhoe	9/27/2011	10/2014	2.78%	48,467		4,672	43,795
District 3 - 12M Caterpillar motor grader	8/1/2012	10/2015	1.78%	178,318		10,514	167,804
District 3 - 2011 John Deere motor grader	5/1/2013	6/2016	1.83%	142,779		10,692	132,087
District 3 - 2011 Freightliner dump truck	5/24/2013	5/2017	2.24%	47,004		12,151	34,853
District 3 - Used John Deere tractor	5/24/2013	5/2016	2.24%	35,389		12,618	22,771
District 3 - (2) 2014 Mack dump trucks	12/9/2013	12/2017	2.29%	-	132,000	23,839	108,161
District 4 - Case 865 motor grader	4/25/2009	11/2013	3.45%	3,597		3,597	-
District 4 - 2010 Mack truck	10/1/2009	10/2013	3.39%	54,316		54,316	-
District 4 - 420E Caterpillar backhoe	9/27/2011	10/2015	2.87%	48,257		5,362	42,895
District 4 - 2012 Mack GU713 dump truck	4/25/2012	6/2017	2.17%	105,063		13,553	91,510
District 4 - Kubota tractor	11/25/2012	11/2016	3.14%	13,528		4,128	9,400
District 4 - 2006 Western Star dump truck	9/9/2013	9/2018	2.45%	33,000		6,281	26,719
District 4 - 2013 Mack dump truck	12/9/2013	1/2018	2.29%	-	98,502	7,019	91,483
District 5 - 12H Caterpillar grader	12/15/2009	1/2015	3.25%	137,653		13,738	123,915
District 5 - 2005 12H Caterpillar grader	1/10/2010	12/2013	3.26%	6,373		6,373	-
District 5 - 2012 Caterpillar 924HZ wheel loader	2/10/2012	3/2016	2.17%	99,205		4,630	94,575
District 5 - Kubota tractor w/ Tiger boom mower	10/25/2012	9/2016	1.96%	55,686		17,693	37,993

WAYNE COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2014
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2013	Issued	Principal Payments	Balance Sept. 30, 2014
Governmental Activities:							
B. Capital Leases:							
District 5 - Asphalt compactor	6/10/2013	6/2014	2.45%	14,670		14,670	-
Countywide - John Deere 644k wheel loader	12/25/2011	2/2015	2.75%	157,895		23,282	134,613
Countywide - Caterpillar 320 DL excavator	6/20/2012	6/2017	2.00%	152,910		14,502	138,408
Countywide - Used Caterpillar dozer	8/25/2014	8/2017	1.95%	-	69,016		69,016
Sanitation - Freightliner M2106	9/25/2010	9/2014	3.34%	27,414		27,414	-
Sanitation - 2013 Freightliner	11/19/2012	11/2016	1.84%	85,202		26,372	58,830
Voluntary Fire Dept. - Water Tanker Ford F750	1/16/2009	3/2014	3.44%	24,075		24,075	-
Voluntary Fire Dept. - Water Tanker Ford F750	9/8/2009	3/2014	3.39%	16,650		16,650	-
C. Other Loans:							
Fire trucks - CAP loan	12/1/2005	11/2015	2.00%	237,156		106,929	130,227
Total				<u>\$ 2,340,697</u>	<u>6,001,518</u>	<u>661,939</u>	<u>7,680,276</u>

The accompanying notes to the Other Information are an integral part of this statement.

WAYNE COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014
UNAUDITED

Name	Position	Company	Bond
Clyde Revette	Supervisor District 1	RLI Surety	\$100,000
Joe Dyess	Supervisor District 2	RLI Surety	\$100,000
Jerry Hutto	Supervisor District 3	RLI Surety	\$100,000
Ed Pitts	Supervisor District 4	RLI Surety	\$100,000
Gaston Hutcherson	Supervisor District 5	RLI Surety	\$100,000
Jill Cauley	Comptroller	RLI Surety	\$50,000
Geary Jackson	Chancery Clerk	RLI Surety	\$100,000
Tina Cochran	Purchase Clerk	Travelers Casualty & Surety	\$75,000
Jill Cauley	Assistant Purchase Clerk	RLI Surety	\$50,000
Melissa Davis	Receiving Clerk	Western Surety Company	\$75,000
Ralph Gardner	Assistant Receiving Clerk	RLI Surety	\$50,000
Keith McLaughlin	Assistant Receiving Clerk	RLI Surety	\$50,000
John P. Donald	Assistant Receiving Clerk	RLI Surety	\$50,000
Gary L. Malone	Assistant Receiving Clerk	RLI Surety	\$50,000
J.W. Freeman, Jr.	Assistant Receiving Clerk	RLI Surety	\$50,000
Rakesia Gray	Assistant Receiving Clerk	RLI Surety	\$50,000
Brenda B. Mills	Assistant Receiving Clerk	RLI Surety	\$50,000
Lisa Ferguson Tate	Inventory Control Clerk	RLI Surety	\$75,000
Mark West	Constable	RLI Surety	\$50,000
Scott Frost	Constable	RLI Surety	\$50,000
Rose M. Bingham	Circuit Clerk	RLI Surety	\$100,000
(4) Deputies	Deputy Circuit Clerk	RLI Surety	\$50,000
Darryl Woodson	Sheriff	RLI Surety	\$100,000
	Sheriff's Deputy (hired under Section		
Bidmer Ray Walker	45-5-9 Miss. Code Ann. (1972))	RLI Surety	\$50,000
Charles Chapman	Justice Court Judge	Western Surety Company	\$50,000
Jane Hutto	Justice Court Judge	RLI Surety	\$50,000
Christy James	Justice Court Clerk	Western Surety Company	\$50,000
Jimmie Ashley Pitts	Deputy Justice Court Clerk	RLI Surety	\$50,000
Wanda Worsham	Deputy Justice Court Clerk	RLI Surety	\$50,000
Georgia Vaughn	Deputy Justice Court Clerk	CAN Surety	\$50,000
LaRita Michelle McCann	Deputy Justice Court Clerk	RLI Surety	\$50,000
Janet Beard	Deputy Justice Court Clerk	RLI Surety	\$50,000
Debbie Richards	Tax Assessor-Collector	RLI Surety	\$100,000
All Deputies	Deputy Tax Collector	RLI Surety	\$50,000

WAYNE COUNTY

Notes to the Other Information For the Year Ended September 30, 2014 UNAUDITED

(1) Budgetary Comparison Information.

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of receipt, each general item of disbursement, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund.

(2) Long-term Debt information:

A. Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2014, the amount of outstanding debt was equal to 1.35% of the latest property assessments.

B. Subsequent Events.

Subsequent to September 30, 2014, the County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
10/01/2014	1.93%	\$ 83,810	Capital lease	Ad valorem taxes
10/30/2014	2.12%	167,056	Capital lease	Ad valorem taxes
11/03/2014	2.03%	212,054	Capital lease	Ad valorem taxes
12/01/2014	1.98%	69,000	Capital lease	Ad valorem taxes
01/21/2015	2.03%	221,396	Capital lease	Ad valorem taxes
02/02/2015	1.91%	77,935	Capital lease	Ad valorem taxes
04/06/2015	1.86%	104,760	Capital lease	Ad valorem taxes
08/05/2015	1.91%	159,134	Capital lease	Ad valorem taxes
09/30/2015	1.94%	37,000	Capital lease	Ad valorem taxes
10/22/2015	2.14%	118,993	Capital lease	Ad valorem taxes
11/02/2015	1.87%	23,547	Capital lease	Ad valorem taxes
12/18/2015	1.86%	668,063	Capital lease	Ad valorem taxes
01/14/2016	1.94%	114,447	Capital lease	Ad valorem taxes
02/25/2016	2.09%	88,000	Capital lease	Ad valorem taxes

WAYNE COUNTY

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WAYNE COUNTY

SPECIAL REPORTS

WAYNE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Wayne County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 16, 2016. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles applicable to the County's cash basis of accounting to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wayne County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2014-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2014-002, 2014-003 and 2014-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Wayne County, Mississippi, in Limited Internal Control and Compliance Review Management Report dated March 16, 2016, included within this document.

Wayne County's Responses to Findings

Wayne County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Wayne County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is fluid and cursive, with the first name "Joe" and last name "Mcknight" clearly legible.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 16, 2016



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Supervisors
Wayne County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Wayne County, Mississippi's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2014. Wayne County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Wayne County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wayne County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of Wayne County, Mississippi's compliance.

Opinion on Major Federal Program

In our opinion, Wayne County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of Wayne County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wayne County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 16, 2016



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Wayne County, Mississippi

We have examined Wayne County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Wayne County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Wayne County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Wayne County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Wayne County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Joe E. Mcknight". The signature is fluid and cursive, with the first name "Joe" being the most prominent.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 16, 2016

WAYNE COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2014

Our test results did not identify any purchases from other than the lowest bidder.

WAYNE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2014

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
5/5/2014	E-911 system	\$ 13,830	Hurricane Electronics	E-911 system down due to lightning strike.

WAYNE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2014

Our test results did not identify any purchases made noncompetitively from a sole source.

WAYNE COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Wayne County, Mississippi

In planning and performing our audit of the financial statements of Wayne County, Mississippi (the County) for the year ended September 30, 2014, we considered Wayne County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Wayne County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated March 16, 2016, on the financial statements of Wayne County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. The Board of Supervisors should receipt E911 charges in E911 Fund.

Finding

Section 19-5-343, Miss. Code Ann. (1972), authorizes the collection of E911 charges. These charges are to be used to provide E911 services to Wayne County. During testing, it was noted a receipt in the amount of \$19,081 was erroneously receipted to the General County Fund and not the E911 Fund. Failure to receipt E911 charges in the appropriate fund could result in monies being expended for purposes not authorized by law.

Recommendation

The Board of Supervisors should repay the \$19,081 from the General County Fund to the E911 Fund to be spent in accordance with law.

Board of Supervisors' Response

A receipt that should have been split between funds was mistakenly put into a single fund. The County realizes this error and has taken steps to correct it.

2. The County should perform periodic logical access reviews.

Finding

We noted during our review that the County does not have a formal process for removing logical access for terminated employees. We also noted that the County does not periodically review the levels of access that active users have and determine if the access is appropriate.

Recommendation

We recommend that the County implement a periodic review of logical access for all individual users.

Board of Supervisors' Response

The County will comply with the recommendation.

3. The County should strengthen passwords.

Finding

We noted during our review that the County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for county information assets. Gaining access to data can often open doors to highly confidential information such as Personally Identifiable Information (PII), confidential governmental reports, and security information related to governmental entities. Through this type of unauthorized access situations such as data breaches and denial of service attacks can be limited. Attack methods can be slowed down significantly or even defeated through the use of strong passwords. Therefore, whenever possible, computer users should use strong passwords for all of their computer accounts.

Recommendation

We recommend that the County improve its password strength by changing password parameters to comply with password management best practices and industry standards. Characteristics of strong passwords include requirements for sufficient length, complexity (combinations of numbers, letters and special characters), and periodic change of passwords.

Board of Supervisors' Response

The County will implement the industry standard password creation practices.

4. The County should implement a formal Information Security Policy.

Finding

The County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management

- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity / Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for the County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that the County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by County Supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response

The County will create an appropriate plan of compliance and take the steps necessary to begin a formal Information Security Plan.

Purchase Clerk.

5. Credit card charges were not properly documented for authorization.

Finding

Section 19-3-68, Miss. Code Ann. (1972), specifies the requirements governing the use of a county credit card for travel. The Chancery Clerk or Purchase Clerk shall maintain complete records of all credit card numbers and all receipts and other documentation relating to the use of such credit cards. The supervisors and county employees shall furnish receipts for the use of such credit cards each month to the Chancery Clerk or Purchase Clerk, who shall submit a written report monthly to the Board of Supervisors. The report shall include an itemized list of all expenditures and use of the credit card for the month, and such expenditures may be allowed for payment by the county in the same manner as other items in the claims docket. As reported in the prior three year's audit reports, travel charges to the credit card were not in complete compliance with this section. There are no written reports itemizing expenditures made on the credit card. Failure to enforce these requirements could result in the misuse of the credit card for unauthorized and unallowed expenditures.

Recommendation

The Purchase Clerk should ensure that a monthly report itemizing the expenditures and use of the credit card is submitted to the Board of Supervisors, as required.

Purchase Clerk's Response

The County will take steps to ensure credit card charges are properly documented for authorization.

Wayne County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 16, 2016

WAYNE COUNTY

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WAYNE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WAYNE COUNTY

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WAYNE COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued:

Governmental activities	Unmodified
Aggregate discretely presented component units	Adverse
General Fund	Unmodified
Meadowland Park Construction Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weakness identified? Yes
 - b. Significant deficiencies identified? Yes
3. Noncompliance material to financial statements noted? No

Federal Awards:

4. Internal control over major federal programs:
 - a. Material weakness identified? No
 - b. Significant deficiency identified? None Reported
5. Type of auditor's report issued on compliance for major federal programs: Unmodified
6. Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? No
7. Identification of major federal programs:
 - a. CFDA #10.665, Schools and roads – grants to states
8. Dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee? No

WAYNE COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 2014-001. The County should establish controls to ensure that adequate subsidiary records are maintained so the Schedule of Expenditures of Federal Awards can be accurately prepared.

Finding

An effective system of internal control over federal grants should include adequate subsidiary records documenting all receipts and expenditures relating to each federal grant received. As reported in the prior two years' audit reports, the County did not report all federal grant expenditures or erroneously included expenditures which were not federal monies on the Schedule of Expenditures of Federal Awards for the year ended September 30, 2014. As a result, several corrections were proposed by the auditor and made by the County to the Schedule of Expenditures of Federal Awards. The failure to accurately complete the Schedule of Expenditures of Federal Awards increases the possibility of reporting incorrect amounts of federal expenditures, as well as the possibility of excluding a federal grant on the Schedule of Expenditures of Federal Awards.

Recommendation

The County should maintain adequate subsidiary records documenting all receipts and expenditures relating to each federal grant received.

Board of Supervisors' Response

The County will work more closely with the CPA preparing our financial statements to ensure that the Statement of Federal Expenditures of Federal Awards is completed accurately.

Significant Deficiency

- 2014-002. The County should establish and test a disaster recovery process.

Finding

During our review of the information systems controls of the County, we noted that the County has not established a disaster recovery process. As a result, the County cannot fully ensure that the information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster. There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to recreate. The County is currently creating back-up files, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that back-up files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

WAYNE COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

Recommendation

We recommend that the County develop, implement and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the back-up process of the types of back-ups that should be created, on what frequency these back-ups should be created, the processes necessary to create the various types of back-ups and the responsibilities of the various parties involved, including county personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved. We also recommend that the County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

The County shall develop a written disaster recovery plan and test it on a regular basis.

Significant Deficiency

2014-003. The County should expire all individual passwords on a periodic basis.

Finding

A review of the County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by the County using best business practices guidelines.

Recommendation

We recommend that a policy be implemented to ensure that passwords are expired on a regular basis. In addition, the County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

The County will change its system security protocols to enforce password changes every 30 days.

Sheriff.

Significant Deficiency

2014-004. The Sheriff should establish adequate segregation of duties.

Finding

An effective system of internal control for collecting, recording, and disbursing cash in the Sheriff's Office should include adequate segregation of duties. As reported in the prior two years' audit reports, only one person receipts monies, prepares all deposits, reconciles the bank statements, post receipts to the cash journal, prepares monthly settlement reports and makes disbursements for all bond and process fees. Failure to implement controls over the collecting, recording, and disbursing of cash, and lack of segregation of duties in the Sheriff's Office could result in the loss or misappropriation of public funds.

WAYNE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Recommendation

The Sheriff should take steps to ensure that there are adequate segregation of duties in the cash collection and disbursement functions.

Sheriff's Response

The Sheriff's Office will comply.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.

WAYNE COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

WAYNE COUNTY

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WAYNE COUNTY BOARD OF SUPERVISORS

609 AZALEA DRIVE
WAYNESBORO, MS 39367
(601) 735-3414

OFFICERS

CLYDE REVETTE, DISTRICT 1
JERRY HUTTO, PRESIDENT, DISTRICT 3
GASTON HUTCHERSON, VP, DISTRICT 5
COOPER LEGGETT, ATTORNEY

JOE DYESS, DISTRICT 2
ED PITTS, DISTRICT 4
GEARY JACKSON, CHANCERY CLERK

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended September 30, 2014

Office of the State Auditor
501 N. West Street, Suite 801
Jackson, Mississippi 39201

Gentleman:

The Wayne County Board of Supervisors respectfully submits the following summary schedule of prior audit findings relative to federal awards.

DEPARTMENT OF AGRICULTURE

2013 Finding No. 1: Schools and Roads – Grants to States, CFDA No. 10.665

Condition: As of September 30, 2013, the County had Title III funds in the amount of \$133,226 for which an approved project had not been initiated

Recommendation: The Board of Supervisors should implement internal controls to ensure that the County initiates all approved projects for Title III funds by the termination date, thereby satisfying the period of availability compliance requirement for federal programs.

Current Status: Corrective action was taken.

DEPARTMENT OF HOMELAND SECURITY

2013 Finding No. 2: Disaster Grants – Public Assistance, CFDA No. 97.036

Condition: During our audit testing procedures, we noted that the expenditures relating the Disaster Grant were not segregated using separate account codes in the general ledger.

Recommendation: The Wayne County Board of Supervisors should take steps to ensure that separate account codes are used when expending federal monies for multiple grants in order to facilitate accounting of grant transactions.

Current Status: Corrective action was taken.

2013 Finding No. 3: Disaster Grants – Public Assistance, CFDA No. 97.036

Condition: During our audit testing procedures, we noted the following instances of noncompliance:

1. Labor was charged to the federal program for days that were not substantiated by the county's payroll records and the employee was not paid for.
2. Labor was charged to the federal program at a rate higher than the employee's actual rate of pay.
3. Equipment usage was charged to the federal program for time that was not substantiated by the listed equipment operator's payroll records.
4. No documentation was available for fill dirt hauled from the county's pit and charged to the federal program.

Recommendation: The Board of Supervisors should take steps to ensure that all amounts charged to federal programs are adequately documented, are substantiated by the applicable employees' underlying payroll records, and are computed in the same manner as charges to other activities of the county.

Current Status: The County now performs quality assurance on all documentation for federal programs. We have taken steps to ensure that a minimum of 3 people review and affirm the documentation with signatures before it is sent to the federal government. Those people include the applicant agent, the comptroller, and the district supervisor.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry Hutto", with a long, sweeping horizontal line extending to the right.

Jerry Hutto
President, Wayne County Board of Supervisors